ECONOMIC HIGHLIGHTS - JANUARY 2006 (PART 1)

The following were notable economic issues in T&T during the first half of January 2006:

1. TT Keeps FTAA Hopes Alive
2. New BWIA By April 1
3. OSHA Implementation Draws Closer
4. "Repo" Rate Increase Again
5. Central Bank Predicts Strong Economy in 2006

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1. TT Keeps FTAA Hopes Alive

Trinidad and Tobago Trade and Industry Minister Ken Valley expressed hope that the December 2005 World Trade Organisation (WTO) Conference in Hong Kong could provide the catalyst for the restart of talks to establish the Free Trade Area of the Americas (FTAA). Valley said that TT remains the front-runner for the FTAA regardless of the number of nations that finally comprises the organization. The Minister said that during the WTO Ministerial Conference, Brazil argued for a removal of agricultural subsidies by 2010 instead of 2013. He noted that differences between Brazil and the U.S. on agricultural are among the issues attributed to the virtual standstill of FTAA talks. Valley felt that it was possible for FTAA negotiations to resume sometime this year. He said that TT currently has the support of at least 18 of the 34 nations that currently comprise the FTAA.

2. New BWIA By April 1

On January 17, Prime Minister Patrick Manning announced that the fate of local air carrier BWIA West Indies Airways would be determined by April 1. Manning stated that the airline's board of directors was presently in the process of reorganizing the airline. According to the report in the media, sources have revealed that the board may be considering changing the airline's operations from international to regional.

3. OSHA Implementation Draws Closer

After at least 20 industrial deaths during 2005, Prime Minister Patrick Manning announced that the Occupational Safety and Health Act (OSHA) would be fully implemented by February 17. The bill, approved in Parliament in 2004, was not proclaimed as it contained flaws. Manning said that Attorney General John Jeremie was currently reviewing the Act for implementation of the sections within the Act that did not need amending. He said that the sections requiring amendment would be done in accordance with established procedure.

4. "Repo" Rate Increase Again

Effective January 2005, the Central Bank of Trinidad and Tobago increased the "Repo" Rate from 6.0 percent (November 2005) to 6.25 percent in an effort to control inflation and reduce excess liquidity in the economy. According to the Bank's release, the Central Statistical Office (CSO) indicated that headline inflation rose to 7.2 percent in the 12 months to December 2005 compared to 7.0 percent in November 2005 and 5.6 percent one earlier. Increasing food prices continue to drive up headline inflation rising by 22.6 percent in the 12 months to December. Core inflation held steady at 2.7 percent. In an effort to tighten liquidity, the Bank withdrew TT$l million (US$159,000) from the system. The Bank stepped up sales of open market bills for longer-term maturity (one and two years). According to the release, these measure sharply reduced excess liquidity and created a more favorable environment for the transmission of interest rate signals. Increase in US interest rates reduced the differential between TT and US short-term rates to 80 basis points. The next "repo" rate announcement is scheduled for February 24, 2006.

5. Central Bank Predicts Strong Economy in 2006

In its analysis of the Trinidad and Tobago economy in 2006, the Central Bank of Trinidad and Tobago predicts that the national economy would remain very strong despite concerns of high levels of inflation and the possible impact of inflation on wage settlements. The Bank projects real Gross Domestic Product (GDP) growth of just over ten percent in 2006, mainly on the strength of the energy sector. According to the Bank, major impetus for economic growth will come from the first full year of Atlantic LNG's (ALNG) Train IV and increased ammonia and methanol production. Train IV is projected to bring direct revenue to TT of US$5.311 billion over a 20-year life cycle. Ongoing expansion in the public sector construction activity will be a major catalyst for continued strong non-energy growth in 2006. The Bank believes that the outlook for international oil prices suggest a continued strong foreign reserve position of TT. Demand-driven inflationary pressures are likely to persist in 2006 given a projected expansion in the non-energy fiscal deficit and income tax relief, causing the Bank to retain its restrictive bias through higher interest rates and measures to absorb excess liquidity. The Bank intends to continue to target an inflation rate of no more than five percent and revisit the inflation target in mid-2006, based on the trend in food prices.